

The Hongkong Telegraph.

WHAT STALIN INTENDS TO DO: Read the second instalment of this important series of inside information about Kremlin plans and future policy on Page 4. These articles are exclusive in the Far East to the Telegraph.

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May Have To Resign



Acting President of China, Li Tsung-jen, who, according to latest reports, may have to resign in the face of right-wing Kuomintang pressure. His resignation would mark the failure of the present endeavours on the part of the Nationalists to come to a peace agreement with the Communists.

2 Ships Sunk: Destroyer Rescues 36

The Australian destroyer Warramunga reported this morning that she had picked up 36 Chinese, (32 males and four females) believed to be the only survivors of a collision between the ss Taiping and Kien Yuen off the China Coast near the mouth of the Yangtze.

An SOS was received in the colony early this morning from the Taiping, which said that the two ships had collided at about midnight last night, and the Kien Yuen had sunk.

A message from the Warramunga indicated that both ships had sunk. The Warramunga added that no boats had been found, and that these may have reached shore safely.

The survivors are being taken to Woosung, and the Chinese authorities there have been asked to make arrangements for their disembarkation.

No information was available locally this morning about the number of passengers carried by either of the ships.

EDITORIAL

Hongkong Reform Club

ANY attempt to exhibit a civic consciousness and a desire to promote public interests in Hongkong deserves at least approval, and, where the stated objects of the promoters can be expected to contribute to the general welfare, encouragement. The Reform Club of Hongkong, the inauguration of which has just been announced, would appear to qualify in brief its objects are to promote healthy public opinion through which, in due time, will come constitutional reform and a closer association between Government and the people. The aims are laudable enough, and, in their present terms, guarantee activities sufficiently innocuous to avoid arousing the antagonism of officialdom. This perhaps is the chief criticism to be levelled against the programme as outlined. It breaks no new ground; does not even promise a new technique of approach. Great play is made of the intention to develop and encourage constructive criticism, as though that were a new phenomenon in this colony. There has never been any shortage of constructive criticism; what is lacking is the machinery whereby the criticism will be acknowledged and acted upon through official channels. And there is nothing in the Reform Club charter as it stands at present to create this machinery. One declared object is to devise ways and means of revitalising and remodelling the Legislature with due regard to the present necessity for a Government majority. The declaration is too vague and equivocal to command any great popular response. Today, as never before, the Colony's legislature needs an unofficial majority and not one that is virtually a rubber stamp. Moreover today, as never before, the Colony needs elected representation to the legislature, not official nominees. The Reform Club manifesto avoids both of these fundamental issues. Government has made the creation of an unofficial majority in the Legislative Council conditional on the implementation of the proposals to form a Municipal Council. But there are no signs that there is any immediate intention to implement them; whereas the Colony appears destined to carry on indefinitely under its existing form of legislature. Strong public opinion, guided along the right lines is highly desirable, but public opinion must of necessity lose confidence in itself when it is consistently run up against official indifference and refusal to be taken seriously. Public opinion in matters affecting the administration of the Colony can only be effective when it is represented by elected nominees with a majority vote. It is suggested then that the Reform Club devote its first energies, less to the promotion of public opinion, and more to securing a type of legislature that will encourage public opinion to believe in itself. Public opinion and civic consciousness do not die when they are continually being frustrated; and that is what is happening in Hongkong today.

FLIGHT FROM NANKING BECOMES PANIC

Pessimism Over Chances Of Peace Deepens

30,000 GOVT TROOPS MOVE INTO SHANGHAI

NANKING, JAN. 28.—EVIDENT BREAKDOWN OF CHINESE GOVERNMENT EFFORTS TO MAKE A SURRENDER DEAL WITH THE COMMUNISTS TURNED THE FLIGHT FROM NANKING INTO A PANIC ON FRIDAY.

It was learned reliably, however, that the U.S. Ambassador, Mr. J. Leighton Stuart, would stay in this Red menaced capital on instructions from Washington. Only a small party led by Minister Lewis Clark is due to join the Nationalist Government in its transfer to Canton. All other diplomatic missions except the Soviet bloc are expected to follow the American example.

Reflecting the personal convictions of diplomats that the Government no longer represents the Chinese people, their decision to stay in Nanking is a profound diplomatic reverse for the Government.

In Shanghai, the Commander of the U.S. Western Pacific Fleet said on Thursday night some marines soon would be withdrawn from China but he emphasised enough would remain to meet any emergency.

NEXT ISSUE ON MONDAY

The next issue of the Hongkong Telegraph will be on Monday.
The paper will be on the streets at noon.

Armistice Talks Nearing Collapse

Rhodes, Jan. 27.—An atmosphere of the deepest pessimism has settled over the Jewish-Egyptian armistice negotiations and sources close to the Palestine mediator, Dr. Ralph Bunche, intimated that the talks might be on the brink of collapse.

United Nations officials wondered which side would take the initial step in the expected breakdown and thereby risk the criticism of the Security Council.

A Jewish source said today, "We are planning to leave for Israel soon. We cannot lose more time here."

A neutral informant said, "The two sides differ not merely on details of argument but on principle."
—United Press.

In Nanking, General Chiang Ching-kuo, a leader of the Government's peace delegation, announced he was flying to Lanchow in the Far North-west to discharge his official duties as commander there "during the lull in peace negotiations."

This deepened the pessimism in Nanking over chances of settling with the Communists. All observers were becoming more and more convinced that prospects were hopeless.

Premier Sun Fo and Foreign Minister Wu Teh-chien flew to Shanghai yesterday to seek the peace support of non-Government leaders but nobody believed this would succeed.

General Teng Wen-yi, official military spokesman, charged the Communists with "insincerity" about peace and told a news conference that he was "fully prepared to resist any attack on the Yangtze cities."

This only enhanced the panicky exodus from Nanking. Streets were jammed with all sorts of conveyances headed for the railway station leading to Shanghai.—Associated Press.

DRIVE ON NANKING

Nanking, Jan. 27.—A strong Communist force, placed by a government spokesman at 200,000 men, is driving hourly nearer the capital. Although a government spokesman claimed that there are 300,000 Nationalists in the Shanghai-Nanking area, the actual strength was estimated by neutral observers at less than 50,000 against the Red march southward.

Eleven Communist columns under Liu Po-cheng and Chen Yi converged on Nanking in three directions. General Teng Wen-yi, Information Director, told the press that one force of four columns of Chen Yi's men is now in the area between Tsinchun and Lihue, 40 and 15 miles northeast of Nanking. The central force of four columns also of Chen Yi's men is marching down the railroad between Mingkuang and Chushien, 60 and 30 miles northwest of Nanking. The western force of three columns under Liu Po-cheng is now near Chushu, 20 miles northwest of Nanking.

In addition, other sources reported, other armies under Liu Po-cheng are active 100 miles north of Nanking.

DELEGATES STAND BY
Meanwhile, Shao Li-tze told Chinese reporters that the government delegation was standing by ready to proceed to Peiping at a moment's notice.

Chinese reports said the government is massing more than 30 warships and gunboats, including their biggest ships "Chungking" and "Lingpo" for the defence of Nanking. The ships now spread in the river east and west of Nanking. Warplanes also started day and night patrol over the river to guard Communist crossing operations.

In the meantime, it was reported that two armies commanded by Chang Kuo and Hsin Wei—Li Tsung-jen's personal forces—are arriving to bolster the defence of Nanking.—United Press.

MOVE INTO SHANGHAI
Shanghai, Jan. 28.—Nationalist infantry, totalling more than 30,000 men, moved into the Western district of Shanghai and set up temporary headquarters there yesterday, it was learned.

These Nationalist troops were reported to have been rushed to Shanghai from Anhwei by train to defend this city should the peace negotiations collapse between the Government and the Communists.

Asked how long they would expect to be stationed in Shanghai, an official of the Political Works Department attached to the Army said he could not say.

"It all depends on the outcome of the military and political situation," he pointed out.

The approach of the civil war has given rise to many untoward incidents in Shanghai, including the fact that an increasing number of clashes between military personnel and private residents had been reported.

TAKE OVER HOUSES

The North China Daily News reports that it has become a common sight to see many soldiers occupying private houses, partly or otherwise, and says that there had been instances where the occupation had not been of a peaceful nature.

Meanwhile, Reuters learned that impressed labour was being erected defence works in Pootung peninsula across the Whangpoo river from Shanghai to check a possible Communist threat against the city from the east.

Temporarily compelled to discard their hoes and ploughs, thousands of farmers working under military supervision are said to be toiling all day long in building concrete pillboxes and earthworks only about one mile from the banks of the Whangpoo.—Reuters.

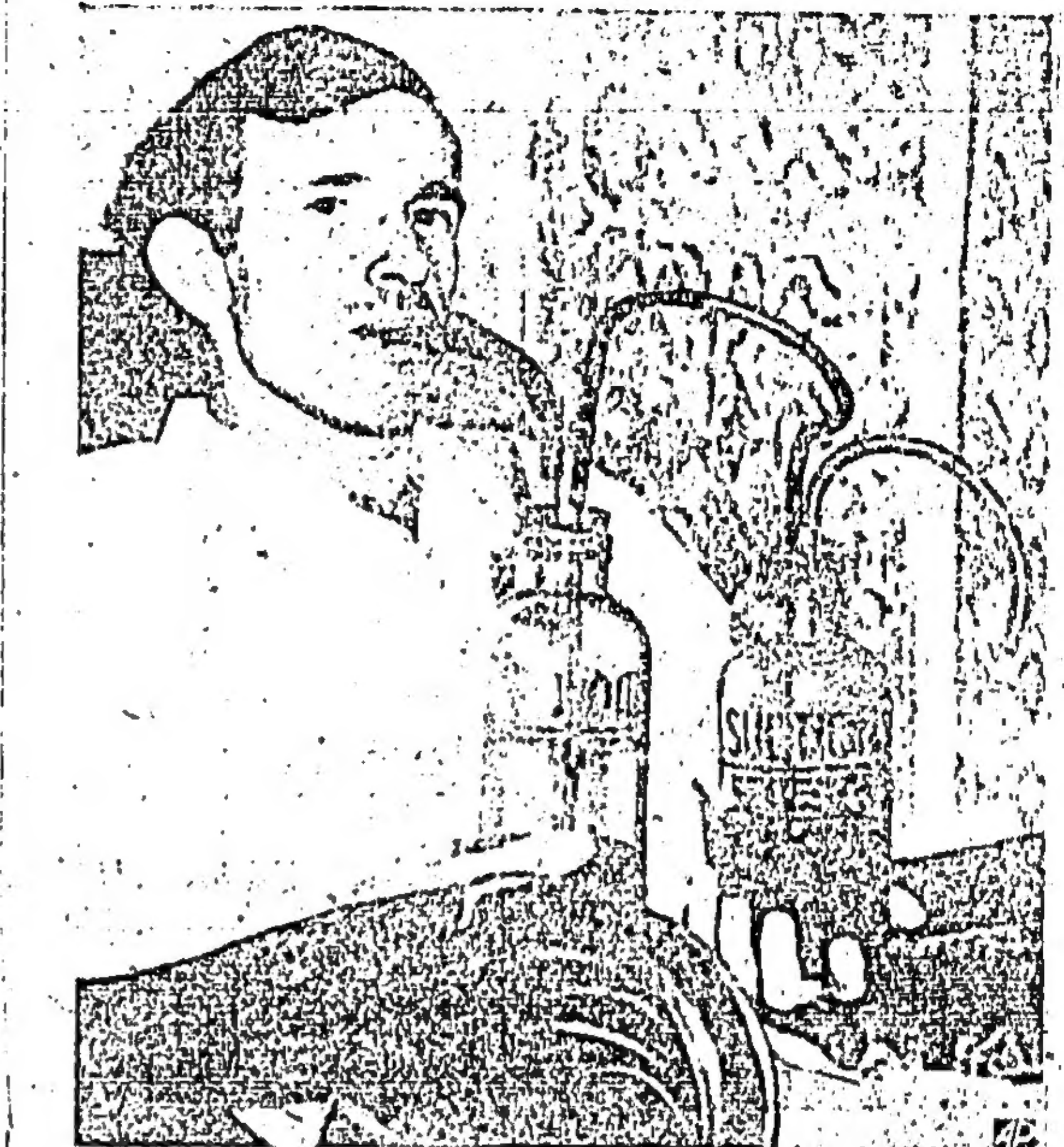
MARINES TO STAY

Shanghai, Jan. 27.—Vice-Admiral Oscar C. Badger today told the press that the United States intends to keep an "adequate number" of Marines and Naval units in China to protect United States citizens and other foreigners from uncontrolled violence. He emphasised that this policy was subject to change at any time depending on the will between the established government of China and the United States government.

The Western Pacific Naval Chief said there would be some reduction in the strength of his forces as most of them, on a floating basis aboard ships but he refused to disclose the exact strength expected to be retained. "We are going to retain enough, but not too many." He denied the recent Chinese reports that large reinforcements arrived at Tsinling and also reports that the United States Navy was pulling out.

Admiral Badger said that "changing conditions," including the absence of violence during the changeover from the Nationalist to Communist rule in Peiping, have been the principal factors of the decision to reduce the force at Tsinling. He indicated that the plan to get most of the Marines off the beach and aboard ship was dictated by an effort to reduce the vulnerability to Communist charges that the United States Navy was violating Chinese sovereignty. He insisted in response to questions about the Communist charges, that the "Marines internationally are recognised as protectors of foreign citizens' lives at a time of uncontrolled violence" and not as participants in the host country's affairs.—United Press.

Blows Bubbles To Stay Alive



Lester Lawson (above), 38, a motor mechanic who lives on Suck Creek Mountain, Tenn., blows bubbles about five hours each day to strengthen his lungs, punctured four times by bullets in a gun fight. He has a bullet in his heart and has been told by physicians that laughter may cause the bullet to plug a vertebra and kill him.—AP Picture.

Something For Nothing For Economically Weak European Countries

London, Jan. 27.—Sir Stafford Cripps, the Chancellor of the Exchequer, told the House of Commons today that economically strong countries in Europe were prepared to make grants to their weaker partners and to export goods and services to them for which they would receive nothing in return.

They had expressed their willingness to do this "for a time at any rate," he said. He was speaking in the House of Commons on a bill providing for the carrying out of certain financial provisions in the Anglo-American Economic Co-operation Agreement and the Inter-European Payments and Compensation Agreement.

The system of inter-European grants, amounting to the equivalent of \$800 million in all, had greatly assisted the movement of trade within Europe, he said.

"The scheme is in fact a great deal more than a scheme for intra-European payments. It covers directly the trade of a large part of the world," he declared.

NEW TRADE CHANNELS

"It has only been in operation for a few months so far and we cannot as yet form any considered judgment on its working. It has not opened up the channels of European trade fully or entirely done away with gold settlements within Europe."

"We are still having to pay gold on a considerable scale to Belgium and Switzerland to obtain essential imports such as steel, flax and machinery."

"It is not of course suggested that the payments scheme of itself can cure the unbalance of European trade."

The Chancellor of the Exchequer said the first stage of submission, criticism and analysis of the economic programmes of the 19 European countries was a great international achievement.

"Nothing like it had ever been attempted before in world history and it had provided a foundation upon which real co-operation could be built."

FOUR MAJOR OBJECTIVES

Britain had four major objectives during the next few years, he must:

- 1.—Export more goods to the United States and Canada and to areas where they could earn dollars or save gold payments.
- 2.—Reduce imports from the dollar area to a volume for which she could currently pay.
- 3.—Maintain and increase the "very valuable" contribution made by the colonies through the sale of materials to the dollar area.
- 4.—Increase her invisible earnings of dollars in every way possible and especially by encouraging and developing tourist traffic, building up the merchant navy and increasing the sale of oil in dollar markets.

Britain, Sir Stafford added, must expand her production as a whole, including manufactures, mining, agriculture and building by one-third above the prewar level.

The Chancellor of the Exchequer said Europe could not hope to succeed by concentrating on increased exports of manufactured goods.

Production within Europe of foodstuffs and raw materials now brought from outside must not be neglected.—Reuters.

HOUSE TO DEBATE LYNSKEY REPORT

London, Jan. 27.—The report of the Lynskey Tribunal, which investigated allegations of corruption in Government circles, will be debated in the House of Commons next Thursday, it was announced today.

Mr Herbert Morrison, the Lord President of the Council, will move a motion asking it to be accepted by the House.—Reuters.

SECRET SOVIET TALKS

Prague, Jan. 27.—The Soviet Deputy Foreign Minister, Mr. Andrei Vyshinsky, was tonight reported to be holding secret talks with East European Communist leaders in a fortress-like hotel on a hill overlooking Karlovy Vary, a West Bohemian spa centre.

Mr Vyshinsky's arrival here this week coincided with the Moscow announcement of the formation of the new Eastern European Economic Council.

He went immediately to Karlovy Vary, where the Russians have set up a compound. Official sources maintained complete reserve about the purpose of his visit.

An official spokesman even denied any knowledge that he was in Czechoslovakia at all. Well-informed sources said disagreements about political and economic policies among Eastern European Communist leaders needed arbitration of the sort Mr Vyshinsky is famous for supplying.—Reuters.

5-Power European Union Discussed

Atlantic Pact Also On Agenda

London, Jan. 27.—The Foreign Ministers of the five Brussels treaty powers meeting here as the Consultative Council of the Western Union today discussed European Union and the proposed Atlantic Pact, it was believed in well-informed quarters.

The Ministers who met at the Foreign Office were Mr. Ernest Bevin (Britain), Mr. Robert Schuman (France), Mr. Paul Henri Spaak (Belgium), Dr. D. J. Stikker (Netherlands) and Mr. Joseph Beek (Luxembourg).

None of the delegates would disclose any details of the day's proceedings—the first in the two-day conference. They were following their usual procedure at the end of each complete session.

No final programme for European Unity was expected to result from the present meeting. But it was believed the five powers would reaffirm their adherence to the principle of extending Western Union co-operation in the wider European field and that some practical machinery might be foreshadowed.

TODAY'S TALKS

They will almost certainly undertake to give further immediate study to the separate reports of the Paris special Committee for European Unity which has been examining the British and Franco-Belgian proposals.

Assuming that the Atlantic Union discussion was regarded as complete today, the Council was expected to consider tomorrow the co-ordination of policy on Palestine.

Observers forecast that the final communiqué tomorrow evening might record the Western Union's collective decision in principle to grant de facto recognition, already announced by France, to the Government of Israel.

Tomorrow's agenda for the Council was expected to include German problems. These would have special reference to reparations and the report of the United States Humphrey Committee on the retention in Germany of plants previously earmarked for other European countries.—Reuters.

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